

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 SSC-01 AID-20 PC-15 OMB-01 CIAE-00

DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04

RSC-01 PRS-01 SPC-03 SS-20 USIA-15 ACDA-19 IO-14 EB-11

COME-00 DRC-01 /180 W

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC PRIORITY 7847

INFO USCINCSO

C O N F I D E N T I A L LIMA 8553

E.O. 11652: GDS

TAGS: PGOV, PE

SUBJECT: PRESIDENT VELASCO ANNOUNCES CABINET CHANGES

BEGIN UNCLASSIFIED

1. AT NOV. 21 PRESS CONFERENCE, PRESIDENT VELASCO ANNOUNCED ECONOMY AND FINANCE MINISTER MORALES BERMUDEZ WILL ASSUME POST OF ARMY CHIEF OF STAFF AT BEGINNING OF YEAR AND, UPON RETIREMENT OF GENERAL MERCADO IN 1975, WOULD RETURN TO CABINET AS PRIME MINISTER AND MINISTER OF WAR.

2. VELASCO SAID "FOR THE MOMENT" DECISION IS TO APPOINT NATIONAL PLANNING INSTITUTE DIRECTOR GENERAL MARCO DEL PONT AS NEW ECONOMY AND FINANCE MINISTER. ECONOMIC AND FINANCIAL MATTERS ARE CLOSELY LINKED WITH PLANNING AND MARCO DEL PONT ALREADY KNOWS THE PROBLEMS HE WILL FACE, VELASCO EXPLAINED.

3. WHEN ASKED ABOUT FURTHER CABINET CHANGES, PRESIDENT ADDED THERE IS POSSIBILITY THAT MINISTRY OF INDUSTRY AND COMMERCE WILL BE SPLIT. END UNCLASSIFIED.

4. COMMENT: VELASCO TREATMENT OF ANNOUNCEMENT WAS MATTER OF FACT. HE SAID IT WAS NECESSARY FOR MORALES BERMUDEZ TO BECOME
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THOROUGHLY FAMILIAR WITH PROBLEMS OF ARMY IN ORDER TO BE IN

POSITION TO ASSUME ITS COMMAND AND HE RECALLED PARALLEL CASE OF GENERAL MERCADO WHO LEFT FOREIGN MINISTRY FOR ONE YEAR BEFORE RETURNING AS PRIME MINISTER, MINISTER OF WAR AND ARMY COMMANDING GENERAL. HOWEVER, VELASCO MAY HAVE HAD OTHER MOTIVES IN MIND IN ANNOUNCING A CHANGE WHICH STILL WELL OVER ONE YEAR AWAY. MORALES BERMUDEZ ENJOYS REPUTATION AS A MODERATE WITHIN THE MILITARY AS WELL AS IN BUSINESS COMMUNITY AND HE IS RESPECTED INTERNATIONALLY FOR HIS SOUND MONETARY AND FISCAL POLICIES. MOREOVER, THE CHANGE RESPECTS SENIORITY SYSTEM WHICH IS IMPORTANT TO ARMY. EVEN AN ANNOUNCEMENT THAT MORALES BERMUDEZ WILL EVENTUALLY BECOME PRIME MINISTER WILL PROVIDE SOME REASSURANCE TO ELEMENTS THAT FEAR THE LEFTIST TENDENCIES OF MILGOV AND POSSIBILITY THAT REVOLUTION WILL RADICALIZE FURTHER. ANNOUNCEMENT IS PERHAPS ALSO DESIGNED TO REASSURE INTERNATIONAL FINANCIAL COMMUNITY THAT INFLUENCE OF MORALES BERMUDEZ' SOUND ECONOMIC LEADERSHIP WILL NOT DIMINISH. MINISTER TOLD AMBASSADOR TODAY HIS PRIMARY RESPONSIBILITIES AS PRIMIN WOULD IN ANY EVENT CONTINUE TO BE ECONOMIC AND FINANCIAL MATTERS. IT IS NOT ENTIRELY CLEAR THAT VELASCO IS DESIGNATING AN HEIR APPARENT BUT IN SITUATION WHERE THERE ARE NO INDICATORS OF AN EARLY RETURN TO CONSTITUTIONAL RULE AND WHERE MERCADO HAS ONLY ONE MORE YEAR OF ACTIVE SERVICE, THE PREMIERSHIP IS LOGICAL STEP TO PRESIDENTIAL SUCCESSION. ON OTHER HAND, MUCH COULD OCCUR DURING COURSE OF NEXT YEAR TO CHANGE THIS SCENARIO, INCLUDING SECOND THOUGHTS ON VELASCO'S PART AS TO SUCCESSION AND THE POSSIBILITIES OF CHANGES IN VELASCO'S OWN STATUS, SAY DUE TO PHYSICAL INCAPACITATION OR RETIREMENT.

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